

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Lake Township	County Missaukee
Fiscal Year End March 31, 2007	Opinion Date June 13, 2007	Date Audit Report Submitted to State September 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Communication of Significant Deficiencies	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 		Printed Name Michael D. Cool, C.P.A.	License Number 1101023146

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

MARCH 31, 2007

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

MARCH 31, 2007

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LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

MARCH 31, 2007

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Baird, Cotter and Bishop, P.C.

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June 13, 2007

INDEPENDENT AUDITORS' REPORT

To the Township Board
Lake Township
Missaukee County
Lake City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Township, Missaukee County, Lake City, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Township, Missaukee County, Lake City, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through x and budgetary comparison information on pages 31-32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Township, Missaukee County, Lake City, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Lake Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Lake Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007, along with specific comparative information as required.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$4,638,503. Of this amount, \$595,217 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,156,822 an increase of \$126,868 in comparison with the prior year. About 80.25% is available for spending at the Township's discretion.
- ◆ The Township's total debt decreased by \$115,000 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Both of the government-wide financial statements distinguish functions of the Townships that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$4,638,503 at March 31, 2007, meaning the Township's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

Lake Township
Net Assets as of March 31,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets						
Current Assets	\$ 1,527,077	\$ 1,487,661	\$ (38,631)	\$ (101,643)	\$ 1,488,446	\$ 1,386,018
Restricted Assets	0	0	6,581	84,563	6,581	84,563
Non Current Assets						
Capital Assets	253,043	201,755	4,811,684	4,783,884	5,064,727	4,985,639
Less: Accumulated Depreciation	(38,296)	(28,067)	(1,150,166)	(1,045,009)	(1,188,462)	(1,073,076)
Total Non Current Assets	214,747	173,688	3,661,518	3,738,875	3,876,265	3,912,563
Total Assets	\$ 1,741,824	\$ 1,661,349	\$ 3,629,468	\$ 3,721,795	\$ 5,371,292	\$ 5,383,144
Liabilities						
Current Liabilities	\$ 26,122	\$ 4,435	\$ 11,667	\$ 9,172	\$ 37,789	\$ 13,607
Long-term Liabilities	695,000	810,000	0	0	695,000	810,000
Total Liabilities	721,122	814,435	11,667	9,172	732,789	823,607
Net Assets						
Invested in capital assets						
net of related debt	214,747	173,688	3,593,460	3,588,817	3,808,207	3,762,505
Restricted for Specific Purposes	228,498	249,894	6,581	84,563	235,079	334,457
Unrestricted	577,457	423,332	17,760	39,243	595,217	462,575
Total Net Assets	1,020,702	846,914	3,617,801	3,712,623	4,638,503	4,559,537
Total Liabilities and Net Assets	\$ 1,741,824	\$ 1,661,349	\$ 3,629,468	\$ 3,721,795	\$ 5,371,292	\$ 5,383,144

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$595,217 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the Township increased by \$78,966 or 1.73% in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Lake Township
Change in Net Assets
for the Fiscal Year Ended March 31,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 8,730	\$ 7,694	\$ 155,765	\$ 172,968	\$ 164,495	\$ 180,662
Operating Grants and Contributions	4,759	0	0	0	4,759	0
Capital Grants and Contributions	48,675	33,340	0	0	48,675	33,340
General Revenues						
Taxes	229,004	215,584	0	0	229,004	215,584
State Grants	169,586	174,410	0	0	169,586	174,410
Interest Earnings	28,679	19,270	1,997	1,879	30,676	21,149
Other	973	952	19,924	6,351	20,897	7,303
Total Revenues	\$ 490,406	\$ 451,250	\$ 177,686	\$ 181,198	\$ 668,092	\$ 632,448
<u>Expenses</u>						
Legislative	\$ 22,012	\$ 23,662	\$ 0	\$ 0	\$ 22,012	\$ 23,662
General Government	129,154	115,960	0	0	129,154	115,960
Public Safety	62,854	55,802	0	0	62,854	55,802
Public Works	21,895	16,188	0	0	21,895	16,188
Culture and Recreation	6,425	3,615	0	0	6,425	3,615
Other Functions	16,814	18,432	0	0	16,814	18,432
Debt Service	57,464	42,250	0	0	57,464	42,250
Sewer	0	0	272,508	238,919	272,508	238,919
Total Expenses	\$ 316,618	\$ 275,909	\$ 272,508	\$ 238,919	\$ 589,126	\$ 514,828
Change in Net Assets	\$ 173,788	\$ 175,341	\$ (94,822)	\$ (57,721)	\$ 78,966	\$ 117,620
NET ASSETS – Beginning of Year	846,914	671,573	3,712,623	3,770,344	4,559,537	4,441,917
NET ASSETS – End of Year	<u>\$ 1,020,702</u>	<u>\$ 846,914</u>	<u>\$ 3,617,801</u>	<u>\$ 3,712,623</u>	<u>\$ 4,638,503</u>	<u>\$ 4,559,537</u>

Governmental Activities

During the fiscal year ended March 31, 2007, the Township's net assets increased by \$78,966 or 20.52% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

The most significant part of the revenue for all governmental activities of Lake Township comes from property taxes. The Township levied a millage for fire protection, in addition to the operating millage, this fiscal year. The Township levied 1.4698 mills for operating purposes, and 0.4562 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation. In 2007, the amount of state shared revenue received by the Township trended downward.

Capital grants represent grant dollars, whether federal, state, or local, that the Township has secured in order to assist in capital asset construction and infrastructure improvement within the Township. The contributions received during the current fiscal year represents special assessments and related interest used by the Township for sewer purposes.

The Township's governmental activities expenses are dominated by general governmental expenses that total 40.79% of total expenses. The Township spent \$129,154 in fiscal year 2007 on general government expenses. Public safety represented the next largest expense at \$62,854 followed by debt service at \$57,464, these represent 19.85% and 18.15% respectively.

Business-Type Activities

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$155,765 for 2007. Expenses for depreciation represent the largest portion of the Sewer Fund expenses at \$105,157 followed by salaries at \$54,246, these represent 38.59% and 19.91% respectively.

Sewer operations experienced a 2.55% decrease in net assets.

The Sewer Fund is the Township's only Business-Type activity.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Lake Township's governmental funds reported combined ending fund balances of \$1,156,822. Approximately 80.25% of this total amount (\$928,324) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

General Fund – The General Fund increased its fund balance by \$124,493 which brings the fund balance to \$349,560. Of the General Fund's fund balance, \$349,560 is unreserved. Property tax revenues increased by 5.95% or \$9,839.

Fire Fund – The Fire Fund decreased its fund balance by \$1,907 which brings the fund balance to \$44,001. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2006 tax roll. This resulted in \$53,754 in tax related revenues during the current fiscal year.

Improvement Revolving Fund – The Improvement Revolving Fund increased its fund balance by \$29,082 which brings the fund balance to \$578,764. The balance is designated to be used for Township improvements.

There were no expenditures and the only revenue was interest income. During the prior year, there were no expenditures and the only revenue was interest income.

Proprietary Fund The Township's proprietary fund provides the same information as the government-wide statements.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net assets of \$94,822. This is due largely to the deduction of depreciation expense on the Fund's capital assets. The unrestricted net assets decreased \$21,843 also due mainly to the deduction of depreciation expense. Net assets invested in capital assets, net of related debt increased by \$4,643.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of March 31, 2007 amounted to \$3,876,265 net of accumulated depreciation. The total net decrease in the Township's investment in capital assets for the current fiscal year was .93%.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

LAKE TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Lake Township
Capital Assets as of March 31,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land and Land Improvements	\$ 16,000	\$ 16,000	\$ 0	\$ 0	\$ 16,000	\$ 16,000
Buildings	55,143	27,666	0	0	55,143	27,666
Infrastructure	169,404	158,089	0	0	169,404	158,089
Improvements other than Buildings	0	0	4,713,258	4,713,258	4,713,258	4,713,258
Equipment, Furniture and Fixtures	12,496	0	98,426	70,626	110,922	70,626
	253,043	201,755	4,811,684	4,783,884	5,064,727	4,985,639
Less Accumulated Depreciation	38,296	28,067	1,150,166	1,045,009	1,188,462	1,073,076
Net Capital Assets	<u>\$ 214,747</u>	<u>\$ 173,688</u>	<u>\$ 3,661,518</u>	<u>\$ 3,738,875</u>	<u>\$3,876,265</u>	<u>\$ 3,912,563</u>

Major capital asset events during the current fiscal year included the following:

- ◆ Paving Green Road.
- ◆ Drain improvements.
- ◆ Improvements to the township hall.
- ◆ Acquisition of new voting equipment.

Long-Term Debt. Lake Township has special assessment bonds payable which will be funded by special assessment income.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Lake Township at 8105 Kelly Road, Lake City, Michigan 49651.

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

STATEMENT OF NET ASSETS

MARCH 31, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
Cash	\$ 973,266	\$ 13,656	\$ 986,922
Receivables			
Taxes	20,075	0	20,075
Accounts	0	17,642	17,642
Accrued Interest	12,273	0	12,273
Special Assessments	370,666	0	370,666
External Parties (Fiduciary Funds)	10,674	0	10,674
Prepaid Expenses	27,908	0	27,908
Due from Other Governments	42,286	0	42,286
Internal Balances	69,929	(69,929)	0
Total Current Assets	1,527,077	(38,631)	1,488,446
<u>RESTRICTED ASSETS</u>			
Cash	0	6,581	6,581
<u>CAPITAL ASSETS</u>			
Land	16,000	0	16,000
Buildings	55,143	0	55,143
Infrastructure	169,404	0	169,404
Improvements Other Than Buildings	0	4,713,258	4,713,258
Equipment, Furniture and Fixtures	12,496	98,426	110,922
	253,043	4,811,684	5,064,727
Less Accumulated Depreciation	(38,296)	(1,150,166)	(1,188,462)
Net Capital Assets	214,747	3,661,518	3,876,265
TOTAL ASSETS	1,741,824	3,629,468	5,371,292
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	6,541	2,101	8,642
Accrued Interest Payable	19,581	9,566	29,147
Total Current Liabilities	26,122	11,667	37,789
<u>LONG-TERM LIABILITIES</u>			
Debt Service Bonds Payable	695,000	0	695,000
TOTAL LIABILITIES	721,122	11,667	732,789
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	214,747	3,593,460	3,808,207
Restricted for Specific Purposes	228,498	6,581	235,079
Unrestricted	577,457	17,760	595,217
TOTAL NET ASSETS	\$ 1,020,702	\$ 3,617,801	\$ 4,638,503

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR	OPERATING	CAPITAL	GOVERNMENTAL	BUSINESS-TYPE	TOTALS
		SERVICES	GRANTS AND	GRANTS AND	ACTIVITIES	ACTIVITIES	
			CONTRIBUTIONS	CONTRIBUTIONS			
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 22,012	\$ 0	\$ 0	\$ 0	\$ (22,012)	\$ 0	\$ (22,012)
General Government	129,154	8,530	0	12,496	(108,128)	0	(108,128)
Public Safety	62,854	200	0	0	(62,654)	0	(62,654)
Public Works	21,895	0	4,759	0	(17,136)	0	(17,136)
Culture and Recreation	6,425	0	0	0	(6,425)	0	(6,425)
Other Functions	16,814	0	0	0	(16,814)	0	(16,814)
Debt Service	57,464	0	0	36,179	(21,285)	0	(21,285)
Total Governmental Activities	316,618	8,730	4,759	48,675	(254,454)	0	(254,454)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Sewer System	272,508	155,765	0	0	0	(116,743)	(116,743)
TOTAL	\$ 589,126	\$ 164,495	\$ 4,759	\$ 48,675	(254,454)	(116,743)	(371,197)
<u>GENERAL REVENUES</u>							
Taxes					229,004	0	229,004
State Grants					169,586	0	169,586
Interest Earnings					28,679	1,997	30,676
Other					973	19,924	20,897
Total General Revenues					428,242	21,921	450,163
Change in Net Assets					173,788	(94,822)	78,966
<u>NET ASSETS</u> - Beginning of Year					846,914	3,712,623	4,559,537
<u>NET ASSETS</u> - End of Year					\$ 1,020,702	\$ 3,617,801	\$ 4,638,503

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2007

	GENERAL FUND	FIRE FUND	IMPROVEMENT REVOLVING FUND	SEWER PROJECT #2
<u>ASSETS</u>				
Cash	\$ 285,217	\$ 11,339	\$ 453,433	\$ 7,724
Taxes Receivable	15,321	4,754	0	0
Accrued Interest Receivable	0	0	12,273	0
Special Assessments Receivable	0	0	0	6,464
Prepaid Expenses	0	27,908	0	0
Advances to Other Funds	732	0	113,058	0
Due from Other Funds	12,913	0	0	0
Due from Other Governments	42,286	0	0	0
TOTAL ASSETS	<u>\$ 356,469</u>	<u>\$ 44,001</u>	<u>\$ 578,764</u>	<u>\$ 14,188</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 6,541	\$ 0	\$ 0	\$ 0
Accrued Interest Payable	0	0	0	0
Advances from Other Funds	0	0	0	732
Due to Other Funds	368	0	0	0
Deferred Revenue	0	0	0	6,464
	<u>6,909</u>	<u>0</u>	<u>0</u>	<u>7,196</u>

FUND BALANCE

Reserved for:				
Fire Protection	0	44,001	0	0
Debt Retirement - (Deficit)	0	0	0	6,992
Unreserved				
Designated for				
Township Improvements	0	0	578,764	0
Undesignated	349,560	0	0	0
Total Fund Balance	<u>349,560</u>	<u>44,001</u>	<u>578,764</u>	<u>6,992</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 356,469</u>	<u>\$ 44,001</u>	<u>\$ 578,764</u>	<u>\$ 14,188</u>
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The accompanying notes are an integral part of the financial statements.

SEWER PROJECT #3	SEWER PROJECT #4	TOTALS
\$ 26,072	\$ 189,481	\$ 973,266
0	0	20,075
0	0	12,273
21,528	342,674	370,666
0	0	27,908
0	0	113,790
0	0	12,913
0	0	42,286
<u>\$ 47,600</u>	<u>\$ 532,155</u>	<u>\$ 1,573,177</u>

\$ 0	\$ 0	\$ 6,541
2,706	0	2,706
45,000	0	45,732
0	0	368
20,907	333,637	361,008
<u>68,613</u>	<u>333,637</u>	<u>416,355</u>

0	0	44,001
(21,013)	198,518	184,497
0	0	578,764
0	0	349,560
<u>(21,013)</u>	<u>198,518</u>	<u>1,156,822</u>

<u>\$ 47,600</u>	<u>\$ 532,155</u>	<u>\$ 1,573,177</u>
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The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2007

Total Fund Balances for Governmental Funds	\$ 1,156,822
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	16,000	
Buildings	55,143	
Infrastructure	169,404	
Equipment	12,496	
Accumulated Depreciation	<u>(38,296)</u>	214,747

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds

Special Assessment Receivables	361,008
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Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds.

Debt Service Bonds Payable	(695,000)	
Accrued Interest Payable	<u>(16,875)</u>	<u>(711,875)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,020,702</u>
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The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND	FIRE FUND	IMPROVEMENT REVOLVING FUND	SEWER PROJECT #2
<u>REVENUES</u>				
Taxes	\$ 175,250	\$ 53,754	\$ 0	\$ 0
Federal Grants	12,496	0	0	0
State Grants	174,345	0	0	0
Charges for Services	8,530	0	0	0
Fines and Forfeitures	200	0	0	0
Interest and Rents	7,095	156	19,082	23
Other Revenues	973	0	0	1,658
Total Revenues	378,889	53,910	19,082	1,681
<u>EXPENDITURES</u>				
Legislative	22,012	0	0	0
General Government	167,062	0	0	0
Public Safety	7,037	55,817	0	0
Public Works	25,046	0	0	0
Culture and Recreation	6,425	0	0	0
Other Functions	16,814	0	0	0
Debt Service	0	0	0	0
Total Expenditures	244,396	55,817	0	0
Excess (Deficiency) of Revenues Over Expenditures	134,493	(1,907)	19,082	1,681
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	0	10,000	0
Transfers Out	(10,000)	0	0	0
Total Other Financing Sources (Uses)	(10,000)	0	10,000	0
Net Change in Fund Balance	124,493	(1,907)	29,082	1,681
<u>FUND BALANCE -</u>				
Beginning of Year - (Deficit)	225,067	45,908	549,682	5,311
<u>FUND BALANCE -</u>				
End of Year - (Deficit)	\$ 349,560	\$ 44,001	\$ 578,764	\$ 6,992

The accompanying notes are an integral part of the financial statements.

SEWER PROJECT #3	SEWER PROJECT #4	TOTALS
\$ 0	\$ 0	\$ 229,004
0	0	12,496
0	0	174,345
0	0	8,530
0	0	200
71	2,252	28,679
8,250	120,223	131,104
8,321	122,475	584,358
0	0	22,012
0	0	167,062
0	0	62,854
0	0	25,046
0	0	6,425
0	0	16,814
944	156,333	157,277
944	156,333	457,490
7,377	(33,858)	126,868
0	0	10,000
0	0	(10,000)
0	0	0
7,377	(33,858)	126,868
(28,390)	232,376	1,029,954
\$ (21,013)	\$ 198,518	\$ 1,156,822

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 126,868
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(10,229)
Capital Outlay	51,288

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid.

Accrued Interest Payable - Beginning of Year	1,688
Accrued Interest Payable - End of Year	(16,875)

Repayments of principal on long-term debt are an expenditure in the governmental funds, but not in the statement of activities (where they are a reduction of liabilities)	115,000
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Under modified accrual basis of accounting, revenue is recognized when measurable and certain. The entity wide statements recognize revenue when earned.

Special assessment revenue previously recognized when earned for the entity wide statements.	<u>(93,952)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 173,788</u></u>
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The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 13,656
Accounts Receivable	17,642
Due from Other Funds	368
Total Current Assets	31,666
<u>RESTRICTED ASSETS</u>	
Cash	6,581
<u>CAPITAL ASSETS</u>	
Machinery and Equipment	98,426
Improvements Other Than Buildings	4,713,258
	4,811,684
Less Accumulated Depreciation	1,150,166
Net Capital Assets	3,661,518
TOTAL ASSETS	\$ 3,699,765
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 2,101
Accrued Interest Payable	9,566
Advances from Other Funds	68,058
Due to Other Funds	2,239
TOTAL LIABILITIES	81,964
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	3,593,460
Restricted	6,581
Unrestricted	17,760
Total Net Assets	3,617,801
TOTAL LIABILITIES AND NET ASSETS	\$ 3,699,765

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

MARCH 31, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 155,765
Other Revenue	6,424
	<u>162,189</u>
 <u>OPERATING EXPENSES</u>	
Administration and General	18,622
Plant	<u>251,713</u>
 Total Operating Expenses	<u>270,335</u>
 Operating Income (Loss)	<u>(108,146)</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	1,997
Sale of Capital Assets	13,500
Interest Expense	<u>(2,173)</u>
Total Nonoperating Revenues (Expenses)	<u>13,324</u>
 Change in Net Assets	(94,822)
 <u>NET ASSETS</u> - Beginning of Year	<u>3,712,623</u>
 <u>NET ASSETS</u> - End of Year	<u>\$ 3,617,801</u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 166,581
Cash Payments to Suppliers for Goods and Services	(188,218)
Cash Payments to Employees for Services	(58,638)
Other Operating Revenues	6,424
	<u>(73,851)</u>
Net Cash Provided by Operating Activities	
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(27,800)
Proceeds from Sale of Capital Assets	13,500
	<u>(14,300)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	
Cash Flows from Investing Activities:	
Interest Received	1,997
	<u>1,997</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(86,154)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>106,391</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 20,237</u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	<u>\$ (108,146)</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	105,157
(Increase) Decrease in Current Assets	
Accounts Receivable	11,042
Due From Other Funds	(226)
Increase (Decrease) in Current Liabilities	
Accounts Payable	417
Payroll Withholdings	(95)
Advances From Other Funds	(82,000)
Due to Other Funds	<u>0</u>
Total Adjustments	<u>34,295</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (73,851)</u></u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2007

	<u>ASSETS</u>	<u>AGENCY</u>
<u>CURRENT ASSETS</u>		
Cash		\$ 12,438
		<hr/>
<u>LIABILITIES</u>		
Due to Other Governments		\$ 1,764
Due to Other Funds		10,674
		<hr/>
Total Liabilities		\$ 12,438
		<hr/>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lake Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

The Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Lake Township reports the following major governmental funds:

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Improvement Revolving Fund* accounts for revenue sources that are designated for improvements in the Township.

The *Sewer Project #2 Debt Service Fund* accounts for the servicing of long-term debt on Sewer Project #2 that is not being financed by proprietary or nonexpendable trust funds.

The *Sewer Project #3 Debt Service Fund* accounts for the servicing of long-term debt on Sewer Project #3 that is not being financed by proprietary or nonexpendable trust funds.

The *Sewer Project #4 Debt Service Fund* accounts for the servicing of long-term debt on Sewer Project #4 that is not being financed by proprietary or nonexpendable trust funds.

Lake Township reports the following major proprietary fund:

The *Sewer Fund* records financial activity of the Township's sewer system.

Additionally Lake Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

The Treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law. The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in context of managing an overall portfolio.

The prior approval of the Township Board, shall be required for the Treasurer to invest in any other lawful investment instruments. The Township Board's standard of prudence shall be the "fiduciary" standard, which shall be applied in context of managing an overall portfolio. The Township Board may authorize the Treasurer to invest in the following:

Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Repurchase agreements consisting of instruments listed above.

Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either or the following:

- (1) The purchase of securities on a when-issued or delayed delivery basis.
- (2) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
- (3) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

Obligations described above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.110 to 129.118.

The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141. to 129.150.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and two-thirds of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of Lake Township totaled \$117,860,837, on which ad valorem taxes levied consisted of 1.4698 mills for Lake Township operating purposes, and 0.4562 mills for Lake Township fire protection. These levies raised approximately \$173,218 for operating purposes, and \$53,754 for fire protection.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	20
Vehicles	5
Equipment	5-10

Lake Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

5. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. *Restricted Assets*

The \$6,581 restricted assets in the Sewer Fund represent monies required to be set aside and accounted for separately by provisions of the sewer rate ordinance and sanitary drain operation agreement.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 29, 2006, or as amended by the Township Board from time to time throughout the year.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Township Board	\$ 18,800	\$ 22,012
Election	7,000	19,430
Building and Grounds	30,925	30,967
Conservation Activities	9,000	9,926
Fire Fund	50,000	55,817

These overages were funded by greater than anticipated revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Chemical Bank West in Lake City, Michigan and with Fifth Third Bank in Cadillac, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2007, of the government's bank balance of \$1,044,433, \$587,297 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Fire	Improvement Revolving	Sewer #2	Sewer #3	Sewer #4	Total
Receivables							
Taxes	\$ 15,321	\$ 4,754	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,075
Accrued Interest	0	0	12,273	0	0	0	12,273
Due from Other Governments	42,286	0	0	0	0	0	42,286
Special Assessments							
Current	0	0	0	0	621	9,037	9,658
Deferred	0	0	0	6,464	20,907	333,637	361,008
	<u>\$ 57,607</u>	<u>\$ 4,754</u>	<u>\$ 12,273</u>	<u>\$ 6,464</u>	<u>\$ 21,528</u>	<u>\$ 342,674</u>	<u>\$ 445,300</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

At the end of the current fiscal year the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue	
	Unavailable	Unearned
Special assessment receivables (Debt Service Funds)	\$ 370,666	\$ 0

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 16,000	\$ 0	\$ 0	\$ 16,000
Capital assets, being depreciated				
Buildings	27,666	27,477	0	55,143
Equipment, Furniture and Fixtures	0	12,496	0	12,496
Infrastructure	158,089	11,315	0	169,404
Total capital assets, being depreciated	185,755	51,288	0	237,043
Less accumulated depreciation for:				
Buildings	24,900	0	0	24,900
Equipment, Furniture and Fixtures	0	2,065	0	2,065
Infrastructure	3,167	8,164	0	11,331
Total accumulated depreciation	28,067	10,229	0	38,296
Total capital assets, being depreciated, net	157,688	41,059	0	198,747
Governmental activities capital assets, net	\$ 173,688	\$ 41,059	\$ 0	\$ 214,747

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital assets, being depreciated				
Improvements Other than Buildings	\$4,713,258	\$ 0	\$ 0	\$4,713,258
Machinery and Equipment	70,626	27,800	0	98,426
Total capital assets, being depreciated	4,783,884	27,800	0	4,811,684
Less accumulated depreciation for:				
Improvements Other than Buildings	1,016,074	95,545	0	1,111,619
Machinery and Equipment	28,935	9,612	0	38,547
Total Accumulated Depreciation	1,045,009	105,157	0	1,150,166
Business-Type Activities Capital Assets, Net	\$3,738,875	\$ (77,357)	\$ 0	\$3,661,518

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 2,065
Public Works	8,164
	<u>\$ 10,229</u>

Business-Type Activities

Sewer	<u>\$ 105,157</u>
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Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2007.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2007, were:

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 13,645	\$ 368
Special Revenue Fund		
Improvement Revolving	113,058	0
Debt Service Funds		
Sewer Project #2	0	732
Sewer Project #3	0	45,000
Enterprise Funds		
Sewer	368	70,297
Fiduciary Funds		
Current Tax Collection Fund	0	10,674
	<u>\$ 127,071</u>	<u>\$ 127,071</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers as of March 31, 2007, were:

<u>Primary Government</u>	<u>TRANSFERS</u>
	<u>IN</u> <u>OUT</u>
General Fund	\$ 0 \$ 10,000
Improvement Revolving Fund	10,000 0
	<u>\$ 10,000 \$ 10,000</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township for the year ended March 31, 2007:

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

	SPECIAL ASSESSMENT BONDS
Debt Payable at April 1, 2006	\$ 810,000
New Debt Incurred	0
Debt Retired	115,000
	<hr/>
Debt Payable at March 31, 2007	\$ 695,000
	<hr/>
Due within one year	\$ 0
	<hr/>

The Township's long-term debt consists of the following:

Special Assessment Bonds

1993 Missaukee Sanitary Drainage District No. 2 Drain Bonds; due in annual installments of \$115,000 to \$240,000 each May 1; interest at 5.00%

\$ 695,000

The total interest incurred for the year ended March 31, 2007 was \$40,500.

The annual requirements to amortize debt outstanding as of March 31, 2007, are as follows:

Year Ending March 31,	Principal	Interest	Total
2008	\$ 0	\$ 40,500	\$ 40,500
2009	0	37,625	37,625
2010	225,000	29,125	254,125
2011	230,000	17,750	247,750
2012	240,000	6,000	246,000
	<hr/>		
	\$ 695,000	\$ 131,000	\$ 826,000
	<hr/>		

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NET ASSETS

Restricted	
Special Revenue Funds	
Special Purposes	\$ 44,001
Debt Service Funds	
Debt Service	184,497
	<hr/>
	\$ 228,498
	<hr/> <hr/>

FUND BALANCE

Reserved	
Special Revenue Funds	
Fire Fund	
Fire Protection	\$ 44,001
Debt Service Funds	
Reserved for Debt Service	
Sewer Project	184,497
Designated	
Improvement Revolving Fund	
Designated for Township Improvements	578,764
	<hr/>
TOTAL FUND BALANCE RESERVATIONS AND DESIGNATIONS	\$ 807,262
	<hr/> <hr/>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

B. Debt Service Fund - Sewer Project #2

A special assessment roll was levied July 1, 1985, to generate monies to finance the construction of an addition to the Missaukee Sanitary Drain No. 1 and Branches Drainage District. The total amount of the roll was \$237,100. On June 14, 1986, the special assessment roll was revised and increased to \$262,350 due to an increase in the basic charge per buildable lot and an increase in the connection charge. Each assessment is due and payable over a period of twenty years with interest at 9.20%.

C. Debt Service Fund - Sewer Project #3

A special assessment roll was levied December 1, 1990 to generate monies to finance the construction of an addition to the Missaukee Sanitary Drain No. 1 and Branches Drainage District. The total amount of the roll was \$634,225. Each assessment is due and payable over a period of twenty years with interest at 8.00%.

D. Debt Service Fund - Sewer Project #4

A special assessment roll was levied in July of 1992 to generate monies to finance the construction of the Missaukee Sanitary Drain No. 2. The total amount of the roll was \$3,625,938. Each assessment is due and payable over a period of twenty years with interest of 6.20%.

E. Lake Missaukee Area Fire Authority

The Lake Missaukee Area Fire Authority is a joint venture by and between the City of Lake City and the townships of Caldwell, Forest, Lake, Pioneer, and Reeder. This joint venture was created to provide fire protection for the listed governments. Each municipality pays an annual base amount equal to one-half of one mill of taxable value of the real property located in the areas of the municipality covered by this agreement. In addition, the Township pays \$450 per fire run within the Township.

In addition to the annual contribution, each township is required to contribute monies in order to construct a fire station and purchase fire equipment.

For the year ended March 31, 2007, the Township contributed a total of \$55,816 to the Fire Authority.

The following financial information was taken from the Fire Authority's March 31, 2006 audited financial statements:

Total Net Assets	\$ 509,190
Net Assets Invested in Capital Assets Net of Related Debt	470,616
Fund Balance – Unreserved	38,574
Total Revenue	205,958
Total Expenditures	185,993
Net Increase (Decrease) in Fund Balance	19,965

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

A copy of these audited financial statements may be obtained upon request from the Fire Authority Treasurer.

F. Retirement Plan

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc., which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date after the employee reaches age 18. An employee's normal retirement date is age 65 or the 5th anniversary of the first day of the plan year in which participation in the plan is commenced.

The formula for determining contributions is based on an employee's annual compensation. Annual compensation is based on compensation which coincides with the calendar year coinciding with or ending within the plan year. Plan year is April 1st to March 31st of the following year. The Township has elected to contribute 12% of compensation to the plan annually. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of 10 years.

Township contributions to the plan for 2006-07 plan year amounted to \$13,019. Of the \$13,019 in contributions, \$6,549 was paid out of the Sewer Fund. In addition, the Township paid \$190 in service fees. Total wages for those covered under the plan was \$108,493 and total wages for the employees including non-covered payroll was \$ 110,778.

G. Township Obligation for Special Assessment Debts

The Township has special assessment bonds payable totaling \$695,000. In the event that money required to pay such debt is not collected from special assessments assessed against property owners, the Township is obligated to make payment from its own funds. The Township currently has cash and investments totaling \$223,277 to be used for retirement of these bonds. This amount is on deposit in the Special Assessment Debt Retirement Funds.

H. Financing Arrangements

On December 29, 2004, Lake Township cosigned on a loan from Chemical Bank West in the amount of \$100,000. This loan is the responsibility of the Lake Missaukee Area Fire Authority. The loan was used to purchase a new fire truck which is collateral for the loan. Payments are due annually beginning June 5, 2005, in installments of \$21,711 including interest at 3.49%. The loan is due in full by June 1, 2009. In the event of default by the Fire Authority, the Township would potentially be liable for the unpaid balance on the loan. The assets and debt associated with the asset are not shown on the Township records. Both will be accounted for in the Fire Authority's records. No liability has been recorded as of year end, as it is unlikely that the Township will need to disburse any funds.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

I. Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

J. Due from Other Governments

Amounts due from other governments consists of \$42,286 in state-shared revenues.

K. Deficit Fund Balance due to Application of “60 day rule”

The Debt Service Fund – Sewer Project #3 has a technical deficit balance due to the application of the 60 day rule for revenue recognition on the modified accrual basis of accounting. The fund actually has deferred special assessment receivables yet to be collected in amounts nearly sufficient to cover the deficit if they had been reported as revenue instead of deferred revenue. It is expected that interest earnings on the special assessments receivable will cover the remaining shortfall.

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2007

	GENERAL FUND			FIRE FUND			IMPROVEMENT REVOLVING		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$ 160,000	\$160,000	\$175,250	\$50,200	\$50,200	\$ 53,754	\$ 0	\$ 0	\$ 0
Federal Grants	0	0	12,496	0	0	0	0	0	0
State Grants	160,000	160,000	174,345	0	0	0	0	0	0
Charges for Services	900	900	8,530	0	0	0	0	0	0
Fines and Forfeitures	0	0	200	0	0	0	0	0	0
Interest and Rents	2,000	2,000	7,095	100	100	156	6,000	6,000	19,082
Other Revenues	4,000	4,000	973	0	0	0	0	0	0
Total Revenues	326,900	326,900	378,889	50,300	50,300	53,910	6,000	6,000	19,082
<u>EXPENDITURES</u>									
Legislative									
Township Board	16,000	18,800	22,012	0	0	0	0	0	0
General Government									
Supervisor	12,665	12,665	11,765	0	0	0	0	0	0
Election	5,000	7,000	19,430	0	0	0	0	0	0
Assessor	44,000	45,600	43,702	0	0	0	0	0	0
Legal Fees	10,000	10,000	2,170	0	0	0	0	0	0
Clerk	15,650	15,650	14,596	0	0	0	0	0	0
Board of Review	2,500	2,500	1,606	0	0	0	0	0	0
Treasurer	32,715	32,715	29,711	0	0	0	0	0	0
Building and Grounds	5,000	30,925	30,967	0	0	0	0	0	0
Cemetery	10,400	10,400	3,189	0	0	0	0	0	0
Conservation Activities	9,000	9,000	9,926	0	0	0	0	0	0
Public Safety	10,500	10,500	7,037	50,000	50,000	55,817	0	0	0
Public Works	99,000	74,450	25,046	0	0	0	0	0	0
Culture and Recreation	4,200	6,425	6,425	0	0	0	0	0	0
Other Functions	16,000	17,350	16,814	0	0	0	0	0	0
Contingency	15,000	3,650	0	0	0	0	0	0	0
Total Expenditures	307,630	307,630	244,396	50,000	50,000	55,817	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	19,270	19,270	134,493	300	300	(1,907)	6,000	6,000	19,082
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In	0	0	0	0	0	0	10,000	10,000	10,000
Transfers Out	(10,000)	(10,000)	(10,000)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(10,000)	(10,000)	(10,000)	0	0	0	10,000	10,000	10,000
Net Change in Fund Balance	9,270	9,270	124,493	300	300	(1,907)	16,000	16,000	29,082
<u>FUND BALANCE - Beginning of Year</u>	159,910	159,910	225,067	50,000	50,000	45,908	225,000	225,000	549,682
<u>FUND BALANCE - End of Year</u>	<u>\$ 169,180</u>	<u>\$169,180</u>	<u>\$349,560</u>	<u>\$50,300</u>	<u>\$50,300</u>	<u>\$ 44,001</u>	<u>\$241,000</u>	<u>\$ 241,000</u>	<u>\$ 578,764</u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2007

	<u>SEWER PROJECT #2</u>			<u>SEWER PROJECT #3</u>			<u>SEWER PROJECT #4</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>ORIGINAL</u>	<u>FINAL</u>		<u>ORIGINAL</u>	<u>FINAL</u>	
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>									
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Grants	0	0	0	0	0	0	0	0	0
State Grants	0	0	0	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0	0	0	0	0
Interest and Rents	0	0	23	0	0	71	0	0	2,252
Other Revenues	0	0	1,658	0	0	8,250	0	0	120,223
Total Revenues	0	0	1,681	0	0	8,321	0	0	122,475
<u>EXPENDITURES</u>									
Legislative	0	0	0	0	0	0	0	0	0
General Government	0	0	0	0	0	0	0	0	0
Public Safety	0	0	0	0	0	0	0	0	0
Public Works	0	0	0	0	0	0	0	0	0
Culture and Recreation	0	0	0	0	0	0	0	0	0
Other Functions	0	0	0	0	0	0	0	0	0
Debt Service	0	0		0	0	944	0	0	156,333
Contingency	0	0	0	0	0	0	0	0	0
Total Expenditures	0	0	0	0	0	944	0	0	156,333
Excess (Deficiency) of Revenues Over Expenditures	0	0	1,681	0	0	7,377	0	0	(33,858)
<u>FUND BALANCE -</u>									
Beginning of Year (Deficit)	0	0	5,311	0	0	(28,390)	0	0	232,376
<u>FUND BALANCE -</u>									
End of Year (Deficit)	\$ 0	\$ 0	\$ 6,992	\$ 0	\$ 0	\$ (21,013)	\$ 0	\$ 0	\$ 198,518

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	\$ 285,217
Taxes Receivable	15,321
Advances to Other Funds	732
Due from Other Funds	12,913
Due from Other Governments	<u>42,286</u>
 TOTAL ASSETS	 <u><u>\$ 356,469</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 6,541
Due to Other Funds	<u>368</u>
 Total Liabilities	 <u>6,909</u>

FUND BALANCE

Balance	
Unreserved	<u>349,560</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 356,469</u></u>
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LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes	\$ 160,000	\$ 175,250
Federal Grants	0	12,496
State Grants	160,000	174,345
Charges for Services	900	8,530
Fines and Forfeitures	0	200
Interest and Rents	2,000	7,095
Other Revenues	4,000	973
	<hr/>	<hr/>
Total Revenues	326,900	378,889
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Legislative		
Township Board	18,800	22,012
General Government		
Supervisor	12,665	11,765
Election	7,000	19,430
Assessor	45,600	43,702
Legal Fees	10,000	2,170
Clerk	15,650	14,596
Board of Review	2,500	1,606
Treasurer	32,715	29,711
Building and Grounds	30,925	30,967
Cemetery	10,400	3,189
Conservation Activities	9,000	9,926
Public Safety	10,500	7,037
Public Works	74,450	25,046
Culture and Recreation	6,425	6,425
Other Functions	17,350	16,814
Contingency	3,650	0
	<hr/>	<hr/>
Total Expenditures	307,630	244,396
	<hr/>	<hr/>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>
Excess (Deficiency) of Revenues Over Expenditures	19,270	134,493
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In (Out)		
Township Improvement Revolving Fund	<u>(10,000)</u>	<u>(10,000)</u>
Net Change in Fund Balance	9,270	124,493
<u>FUND BALANCE</u> - Beginning of Year	<u>159,910</u>	<u>225,067</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 169,180</u>	<u>\$ 349,560</u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	\$ 11,339
Taxes Receivable	4,754
Prepaid Expenses	<u>27,908</u>
 TOTAL ASSETS	 <u><u>\$ 44,001</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Fire Protection	<u>44,001</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 44,001</u></u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes	\$ 50,200	\$ 53,754
Interest and Rents		
Interest Earnings	<u>100</u>	<u>156</u>
Total Revenues	50,300	53,910
<u>EXPENDITURES</u>		
Public Safety		
Aid to Other Government	<u>50,000</u>	<u>55,817</u>
Excess (Deficiency) of Revenues		
Over Expenditures	300	(1,907)
<u>FUND BALANCE</u> - Beginning of Year	<u>50,000</u>	<u>45,908</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 50,300</u>	<u>\$ 44,001</u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

IMPROVEMENT REVOLVING FUND

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	\$ 453,433
Accrued Interest Receivable	12,273
Advances to Other Funds	<u>113,058</u>
 TOTAL ASSETS	 <u><u>\$ 578,764</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Designated for Township Improvements	<u>578,764</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 578,764</u></u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

IMPROVEMENT REVOLVING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Interest		
Interest Earnings	\$ 6,000	\$ 19,082
<u>EXPENDITURES</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	6,000	19,082
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfer In (Out)		
General Fund	<u>10,000</u>	<u>10,000</u>
Net Change in Fund Balance	16,000	29,082
<u>FUND BALANCE</u> - Beginning of Year	<u>225,000</u>	<u>549,682</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 241,000</u>	<u>\$ 578,764</u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #2

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	\$ 7,724
Special Assessments Receivable	<u>6,464</u>
TOTAL ASSETS	<u><u>\$ 14,188</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Advances from Other Funds	\$ 732
Deferred Revenue	<u>6,464</u>
TOTAL LIABILITIES	7,196

FUND BALANCE

Reserved for Debt Retirement	<u>6,992</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 14,188</u></u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Interest	
Interest on Earnings	\$ 23
Other Revenues	
Special Assessments Including Interest	<u>1,658</u>
Total Revenues	1,681

EXPENDITURES

Debt Services	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	1,681

<u>FUND BALANCE</u> - Beginning of Year	<u>5,311</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 6,992</u></u>
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LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #3

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	\$ 26,072
Special Assessments Receivable	<u>21,528</u>
TOTAL ASSETS	<u><u>\$ 47,600</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accrued Interest Payable	\$ 2,706
Advances from Other Funds	45,000
Deferred Revenue	<u>20,907</u>

TOTAL LIABILITIES	68,613
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FUND BALANCE

Reserved for Debt Retirement (Deficit)	<u>(21,013)</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 47,600</u></u>
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LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Interest	
Interest on Earnings	\$ 71
Other Revenues	
Special Assessments Including Interest	<u>8,250</u>
Total Revenues	8,321

EXPENDITURES

Debt Services	
Other Interest Expense	<u>944</u>
Excess (Deficiency) of Revenues Over Expenditures	7,377

<u>FUND BALANCE</u> - Beginning of Year - (Deficit)	<u>(28,390)</u>
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<u>FUND BALANCE</u> - End of Year - (Deficit)	<u><u>\$ (21,013)</u></u>
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LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #4

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	\$ 189,481
Special Assessments Receivable	<u>342,674</u>
TOTAL ASSETS	<u><u>\$ 532,155</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred Revenue	\$ 333,637
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FUND BALANCE

Reserved for Debt Retirement	<u>198,518</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 532,155</u></u>
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LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Interest	
Interest on Earnings	\$ 2,252
Other Revenues	
Special Assessments Including Interest	<u>120,223</u>
Total Revenues	<u>122,475</u>

EXPENDITURES

Debt Services	
Principal on Bonds	115,000
Interest on Bonds	40,500
Paying Agent Fees	825
Miscellaneous	<u>8</u>
Total Expenditures	<u>156,333</u>
Excess (Deficiency) of Revenues Over Expenditures	(33,858)

<u>FUND BALANCE</u> - Beginning of Year	<u>232,376</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 198,518</u></u>
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LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF NET ASSETS
MARCH 31, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 13,656
Receivable	
Accounts	17,642
Due from Other Funds	368
Total Current Assets	<u>31,666</u>

RESTRICTED ASSETS

Money Market Accounts	
Consumer Debt Service Fund	4,742
Expansion Fund	1,839
Total Restricted Assets	<u>6,581</u>

CAPITAL ASSETS

Machinery and Equipment	98,426
Sewer System	4,713,258
Total Capital Assets	<u>4,811,684</u>
Less Accumulated Depreciation	1,150,166
Net Capital Assets	<u>3,661,518</u>

TOTAL ASSETS	<u><u>\$ 3,699,765</u></u>
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LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF NET ASSETS
MARCH 31, 2007

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 2,101
Accrued Interest Payable	9,566
Advances From Other Funds	68,058
Due to Other Funds	<u>2,239</u>

TOTAL LIABILITIES	<u>81,964</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	3,593,460
Restricted	6,581
Unrestricted	<u>17,760</u>
Total Net Assets	<u>3,617,801</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,699,765</u></u>
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LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2007

OPERATING REVENUES

Charges for Services	
Sewer Use Charges	\$ 138,815
Connection Charges	3,200
Trunkage Fees	10,200
Availability Charges	3,550
Other Revenue	
Land Rent	4,400
Reimbursements	668
Miscellaneous	1,356
	<hr/>
Total Operating Revenues	162,189

OPERATING EXPENSES

Administration and General	
Personal Services	
Salaries and Wages	4,297
Supplies	
Office Supplies	2,536
Other Services and Charges	
Insurance	11,554
Bank Fees	235
Plant	
Personal Services	
Salaries and Wages	54,246
Fringe Benefits	16,105
Supplies	
Operating Supplies	5,766
Other Services and Charges	
Lab Analysis	4,170
Utilities	24,918
Repairs and Maintenance	24,661
Seminars and Training	567

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2007

Contracted Services	14,183
Step Units	1,940
Depreciation	<u>105,157</u>
Total Operating Expenses	<u>270,335</u>
Operating Income (Loss)	<u>(108,146)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	1,997
Sale of Capital Assets	13,500
Interest Expense	<u>(2,173)</u>
Total Nonoperating Revenues (Expenses)	<u>13,324</u>
Change in Net Assets	(94,822)
<u>NET ASSETS</u> - Beginning of Year	<u>3,712,623</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 3,617,801</u></u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 166,581
Cash Payments to Suppliers for Goods and Services	(188,218)
Cash Payments to Employees for Services	(58,638)
Other Operating Revenues	<u>6,424</u>
Net Cash Provided by Operating Activities	<u>(73,851)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(27,800)
Proceeds from Sale of Capital Assets	<u>13,500</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(14,300)</u>
Cash Flows from Investing Activities	
Interest Received	<u>1,997</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(86,154)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>106,391</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 20,237</u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss)	<u>\$ (108,146)</u>
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities	
Depreciation	105,157
(Increase) Decrease in Current Assets	
Accounts Receivable	11,042
Due from Other Funds	(226)
Increase (Decrease) in Current Liabilities	
Accounts Payable	417
Payroll Withholdings	(95)
Advances From Other Funds	(82,000)
Due to Other Funds	<u>0</u>
Total Adjustments	<u>34,295</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u><u>\$ (73,851)</u></u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2007

	BALANCE			BALANCE
	4/1/2006	ADDITIONS	DEDUCTIONS	3/31/2007
<u>ASSETS</u>				
Cash	\$ 18,251	\$ 7,709,271	\$ 7,715,084	\$ 12,438
<u>LIABILITIES</u>				
Refunds Payable to Taxpayers	\$ 0	\$ 505	\$ 505	\$ 0
Due to Other Governments	11,108	3,580,956	3,590,300	1,764
Due to Other Funds	7,143	283,288	279,757	10,674
TOTAL LIABILITIES	\$ 18,251	\$ 3,864,749	\$ 3,870,562	\$ 12,438

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 2006 TAX ROLL
MARCH 31, 2007

TAXES ASSESSED

County	\$	868,704	
County - State Education Tax		706,925	
Township			
Operating		173,218	
Fire		53,754	
Sewer Debt Service		22,080	
Delinquent Sewer Assessment and Usage		32,309	
Schools			
Lake City Area Schools		1,335,681	
McBain Rural Agricultural Schools		180,430	
Intermediate School			
Wexford-Missaukee		700,280	
Lake Missaukee Improvement Board		71,190	
Crooked Lake Improvement Board		17,550	\$ 4,162,121

TAXES COLLECTED

County	805,611	
County - State Education Tax	669,759	
Township		
Operating	157,897	
Fire	48,999	
Sewer Debt Service	20,270	
Delinquent Sewer Assessment and Usage	18,394	
Schools		
Lake City Area Schools	1,220,117	
McBain Rural Agricultural Schools	159,117	
Intermediate School		
Wexford-Missaukee	638,341	
Lake Missaukee Improvement Board	66,710	
Crooked Lake Improvement Board	16,650	3,821,865

STATEMENT OF 2006 TAX ROLL
MARCH 31, 2007

County	63,093		
County - State Education Tax	37,166		
Township			
Operating	15,321		
Fire	4,755		
Sewer Debt Service	1,810		
Delinquent Sewer Assessment and Usage	13,915		
Schools			
Lake City Area Schools	115,564		
McBain Rural Agricultural Schools	21,313		
Intermediate School			
Wexford-Missaukee	61,939		
Lake Missaukee Improvement Board	4,480		
Crooked Lake Improvement Board	900	\$	340,256

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 1993 BONDS PAYABLE
MARCH 31, 2007

<u>TITLE</u>	Missaukee Sanitary Drainage District No. 2 Drain Bonds		
<u>PURPOSE</u>	The bonds were issued under to provisions of Chapter 20, of Act No. 40 Public Acts of Michigan, 1956, as amended. The bonds were issued to defray the cost of locating, establishing and constructing the Missaukee Sanitary Drain No. 2 in the County of Missaukee.		
<u>DATE OF ISSUE</u>	July 1, 1993		
<u>AMOUNT OF ISSUE</u>	\$ 3,625,938		
<u>INTEREST RATES</u>	5.00%		
<u>BALANCE OUTSTANDING</u>	\$ 3,625,938		
Amount Redeemed Prior Years	\$ 2,815,938		
Amount Redeemed During Current Year	<u>115,000</u>	<u>2,930,938</u>	
<u>BALANCE OUTSTANDING - March 31, 2007</u>		<u>\$ 695,000</u>	

<u>DUE DATES</u>	<u>Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2007	\$ 0	\$ 20,250	\$ 20,250
November 1, 2007		20,250	20,250
May 1, 2008	0	20,250	20,250
November 1, 2008		17,375	17,375
May 1, 2009	225,000	17,375	242,375
November 1, 2009		11,750	11,750
May 1, 2010	230,000	11,750	241,750
November 1, 2010		6,000	6,000
May 1, 2011	240,000	6,000	246,000
	<u>\$ 695,000</u>	<u>\$ 131,000</u>	<u>\$ 826,000</u>

LAKE TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 1993 BONDS PAYABLE
MARCH 31, 2007

PRIOR REDEMPTION

Bonds of this issue maturing in the years 1994 to 2002, inclusive, shall not be subject to redemption prior to maturity. Bonds in multiples of \$5,000 of this issue maturing in the years 2003 to 2011, inclusive, shall be subject to redemption prior to maturity at the option of the District in such order as the District shall determine, on any interest payment date on or after May 1, 2002, at par plus accrued interest to the date fixed for redemption, plus a premium expressed as a percentage of par as follows:

2% of the par value of each bond called for redemption on or after May 1, 2002, but prior to May 1, 2004;

1% of the par value of each bond called for redemption on or after May 1, 2004, but prior to May 1, 2006;

No premium if called for redemption on or after May 1, 2006.

In case less than the full amount of an outstanding bond is presented for redemption, the Bond Registrar, upon presentation of the bond called for redemption, shall register, authenticate and deliver to the registered owner of record new bonds in the principal amount of the portion of the original bond not called for redemption.

The Bonds are transferable only upon the books of the District kept for that purpose at the office of the Bond Registrar by the Registered Owner thereof in person, or by, his attorney duly authorized in writing, upon the surrender of such Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or his attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same interest rate and maturity shall be issued to the transferee in exchange therefore as provided in the resolution authorizing the Bonds, and upon the payment of the charges, if any, therein prescribed.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

June 13, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Lake Township
Missaukee County
Lake City, Michigan

During the course of our audit of the basic financial statements of Lake Township for the year ended March 31, 2007, we noted the following items:

Budgeting

The Township's expenditures exceeded appropriations in the General Fund in the following activities: Township Board, Elections, Building and Grounds, and Conservation Activities. Expenditures also exceeded appropriations in the Fire Fund. The overage in Elections was due to an audit adjustment that recorded the receipt of new voting equipment through a grant program. The Township monitored and amended timely the other fund budgets and did a good job following the spirit of the State of Michigan's budgeting requirements.

Check Signing

While examining disbursement checks of the Township we noted that there is only one signature on the disbursement checks. The Michigan Uniform Accounting Procedures manual notes that "Dual signatures are required for all checking accounts (except the separate tax collection checking account). The dual signatures **MUST** be the clerk (or deputy clerk) and the treasurer (or deputy treasurer)." Having two signatures on all disbursement checks will significantly improve internal control over cash. We recommend that the Township implement a policy of requiring two signatures on all disbursement checks.

Deficit Fund Balance due to Application of "60 day rule"

The Debt Service Fund-Sewer Project #3 has a technical deficit balance due to the application of the 60 day rule for revenue recognition on the modified accrual basis of accounting. The fund actually has deferred special assessment receivables yet to be collected in amounts nearly sufficient to cover the deficit if they had been reported as revenue instead of deferred revenue. It is expected that interest earnings on special assessments receivable will cover any remaining shortfall. We have assisted you in the preparation of your deficit reduction plan to be filed with the Department of Treasury,

and believe this explanation will satisfy their department, as they are aware of the 60 day rule.

General Recordkeeping

The accounting records for the year ended March 31, 2007, were found to be in good order and in compliance with the State's uniform accounting system. We commend the clerk and treasurer for a job well done and encourage them to keep up the fine effort.

While we observed that bills are approved for payment by the Township board, we did not observe evidence of approval for payment on the bills themselves. We suggest that as a method of strengthening internal control the Township consider having a board member sign the bills approved for payment.

Component Units

Improvements boards need to contact the State of Michigan to determine with whom they are a component unit and if they are required to have an audit.

We would like to thank the board for awarding our firm the audit assignment of the Township and to thank the Township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

June 13, 2007

To the Township Board
Lake Township
Missaukee County
Lake City, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Missaukee County, Lake City, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Lake Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described in (1) above (Lack of Segregation of Duties) constitute a material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.